

November 16, 2001

will help. I urge all Members to co-sponsor this important legislation.

THE RESTORE ACCESS TO  
FOREIGN TRADE ACT OF 2001

HON. JERRY WELLER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, November 16, 2001

Mr. WELLER. Mr. Speaker, today, I am pleased to introduce the Restore Access to Foreign Trade Act of 2001, the (RAFT Act), on behalf of myself and my colleagues; Mr. RANGEL, Mr. CRANE, Mr. FOLEY, Mr. SHIMKUS and Mrs. BIGGERT.

The RAFT Act reverses tax law that has nearly destroyed our great maritime system by excluding shipping income from Subpart F, a section of the Internal Revenue Code affecting the taxation of income of U.S. controlled foreign corporations (CFC).

Prior to 1976, income earned by CFCs from U.S. owned foreign shipping operations was not treated as Subpart F income, and was subject to taxation only when repatriated, or brought back into the United States. The Tax Reform Act of 1975 eliminated this deferral, except for foreign shipping income reinvested in certain qualified shipping investments. The 1986 Tax Act repealed the reinvestment exception, subjecting foreign shipping income earned by CFCs to current taxation under Subpart F.

While the issue may sound complicated, the consequences are simple: the U.S.-owned liner container trade has seen its market share drop from nearly 22 percent in 1994 to just three percent in 1999. Thousands of jobs across America have been lost. This decline is dangerous from both an economic and national security standpoint—loss of an economically important industry and our country's inability to rely on the availability of a U.S. fleet in times of national security crises.

Mr. Speaker, at this critical time, national security concerns are uppermost in our minds. The immediate availability of U.S.-owned vessels in times of national security crises is a key component of the U.S. government's defense programs.

The anti-competitive impact of Subpart F will continue to erode the U.S. owned fleet and will ultimately result in an international marketplace that has no American participation.

Our trading partners have actively pursued tax policies designed to encourage and increase their shipping industry. The U.S. Government needs to work towards the same goal. We must not allow the tax code to penalize U.S. companies in the current economic environment.

I ask my colleagues to support this important legislation.

EXTENSIONS OF REMARKS

THE ROLE OF RUSSIA AND THE  
CASPIAN IN ENSURING ENERGY  
SECURITY

HON. CHRISTOPHER COX

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, November 16, 2001

Mr. COX. Mr. Speaker, I rise to point out that while the attention of the world is now rightly focused on Afghanistan and the war against terrorism, we should not forget that a large part of the oil and gas consumed by the United States and the rest of the industrialized world comes from the conflict-ridden Middle East. In addition to the need to address the issue of energy independence through new domestic sources of supply, conservation and the development of renewable energy resources, we need to be thinking about the best possible way of protecting the security of alternative sources of oil and gas outside the United States. For example, the Caspian Sea region has substantial resources, and that source of supply is important to us.

Akezhan Kazhegeldin, an economist, a businessman and a former prime minister of oil rich Kazakhstan, has written a very thoughtful article on this subject that appeared in the Russian publication *Vremya Novostei* on October 15, 2001. In his article, Dr. Kazhegeldin states that oil and gas from Kazakhstan and the other energy producing nations bordering on the Caspian Sea could provide an important backup source of energy, complementing what now comes from the Persian Gulf countries. In addition, referring to the debate surrounding the route of a future pipeline carrying Caspian oil to consuming countries, Dr. Kazhegeldin asserts that there is no reason for the West and Russia to be at loggerheads on the pipeline issue now that the Cold War is over. He goes on to describe how the West and Russia could, in his view, work together on a pipeline solution that would benefit everyone.

I commend this article to my colleagues, and I ask unanimous consent that the full text of the article be printed at this point in the RECORD.

GLOBAL ARC OF STABILITY—THE WAY RUSSIA  
AND THE CASPIAN CAN MAKE THE WORLD  
STABLE

The September 11 tragic events and launching of the Afghan campaign, seen as the first stage in "the global war against terror", have changed the world dramatically. Protection of peaceful citizens from possible terror acts appears as just a tip of the huge pyramid of new problems. We are facing an acute and more global problem, the problem of ensuring the industrial world's economic safety.

The supply of the developed nations' energy, above all, oil and gas, is a critical and vulnerable element in the world's economic relations. A great part of the developed oil fields are concentrated in the highly insecure and conflict-ridden Middle Eastern region, which makes the threat of oil blockade and energy crisis for the industrial countries, the main oil and gas consumers, a perpetual nightmare. Unpredictable dictators are no less dangerous than terrorist groups. Should the interests of both in the region coincide, the rest of the world would find itself in an impasse.

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Even if everything goes very well and the antiterrorist campaign ends quickly, the community of industrial countries will have to make sure that the threat of energy blackmail is ruled out in principle. In the global energy system, it is necessary to use reserve and back-up methods in order to ensure safety. Caspian oil reserves can play a major role here.

For the past decade, politicians and journalists have been debating about the problem of Caspian oil perhaps more heatedly than the industry professionals. It has almost been made into a stake in the new Great Game, the U.S.-Russian rivalry over the control of the region and its riches. This confrontation has become the legacy of the old "bloc" model of the world. Wayne Merry, a former U.S. State Department and Pentagon official, now a senior associate at the American Foreign Policy Council in Washington, describes its sources: "... Washington concentrated its efforts on one great strategic project to assure US primacy in the region. ... The idea was to bypass existing pipelines in Russia, squeeze out Iran, bring energy supplies from the Caspian region to a transshipment point in a NATO country, and thereby assure the independent futures of the producing and transit countries."

Understandably, Moscow clearly saw the threat to its interests and resisted U.S. plans. However, both sides played their parts by force of habit, without their usual passion. The reason is that the interests of Russia and the West (not only the U.S.) in the region are actually not conflicting. Some regional leaders tried to artificially keep alive the conflict between them as they hoped to secure foreign support for their authoritarian regimes.

Now that many old patterns have been left behind in the 20th century for good, the common interests of the industrial and democratic countries allow them to work out joint approaches to ensure their energy independence. Owing to this, Kazakhstan, Azerbaijan and Turkmenistan have a historic opportunity to become stable partners of both Russia and the West, and to be integrated into the world economy.

Naturally, this integration should entail bringing their political systems in line with the international democratic and market economy standards. "A glance at other post-colonial regions in Africa and Asia shows that the first generation of 'Big Man' leaders often does as much harm to their countries as did the departing imperial powers, creating a painful legacy for future generations to sort out," concludes Wayne Merry. "American long-term interests in Central Asia are best served by seeking to engage tomorrow's leaders and assuring that, when the region's energy reserves do become important to the outside world, these leaders will look to the United States as a friend and not as yet another external exploiter."

Setting aside the controversial definition of the Central Asian countries as post-colonial ones, one should admit that the time when the region's energy reserves do become important to the outside world is nearing. Though geological exploration of the Caspian shelf is far from being completed, and many experts are not inclined to share the fanciful expectations of "dozens of new Kuwaits", it is clear that the region's oil and gas reserves are extremely large. However, energy projects can't become global automatically, thanks only to rich oilfields. Stable export routes are required to deliver oil and gas to the global markets. Even all the reserves of the Caspian states put together